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SUBJECT: FEBRUARY 2009 TRADE POLICY REVIEW OF GUATEMALA

¶1. SUMMARY: WTO Members conducted the Trade Policy Review of Guatemala on February 4 and 6, 2009. The head of Guatemala's delegation, Vice-Minister Morales, discussed Guatemala's export market diversification efforts and its firm belief in the rules-based multilateral trading system, unshaken in the current period of economic stress. Members highlighted Guatemala's commitment to trade liberalization and advancements in the areas of customs procedures and protection of intellectual property rights. Areas of Members' concern included the large gap between bound and applied rates, a lack of transparency in the government procurement regime, and the need to phase out export subsidy programs by the 2015 deadline. END SUMMARY.

#### Statement of the United States

¶2. The representative of the United States made the following remarks:

¶3. "The United States is pleased to welcome Vice Minister Morales, Ambassador Sperisen-Yurt, and the rest of the Guatemalan delegation to Guatemala's second Trade Policy Review. A great deal has happened since Guatemala's last review in 2002, as the government has continued to place a high priority on trade liberalization as the core of its national development strategy. Guatemala's report provided us with valuable background information, a useful perspective and a framework to understand the government's trade policy regime and practices since 2002. We also appreciate the WTO Secretariat's comprehensive report, and thank the discussant, Ambassador Mario Matus, for his important contributions to this review."

¶4. "The United States and Guatemala enjoy a strong trade and economic relationship. Our partnership takes place within the broader context of excellent cooperation on a variety of matters of mutual interest, including global UN peacekeeping efforts, ongoing regional security and counter-narcotics efforts. Trade and economic integration between the United States and Guatemala is an important element of our bilateral relations and generates important benefits for both countries and the region. Our bilateral trade was \$7.1 billion in two-way trade in goods during 2007."

¶5. "For many years, our trade relationship with Guatemala was driven by the unilateral trade preferences that the United States provides through the Caribbean Basin Initiative trade preferences program. This program has contributed to economic growth and development in Guatemala. Our bilateral relationship changed recently from one based on unilateral trade preferences to one based on reciprocal free trade through the Dominican Republic - Central America - United States Free Trade Agreement (DR-CAFTA), a regional free trade agreement between the Dominican Republic, the United States, and five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua)."

¶6. "Both the Secretariat's and Guatemala's reports indicate that Guatemala is pursuing a strategy of trade liberalization at the multilateral, regional, and bilateral levels. The United States commends Guatemala on its path to trade liberalization, including the adoption of liberalization measures -- unilaterally, regionally and multilaterally. On the multilateral front, Guatemala has been

an active and constructive participant in the Doha Round, and we greatly appreciate Ambassador Sperisen-Yurt's role as Chair of the Trade Facilitation Negotiating Group. During the review period, Guatemala submitted several notifications to the WTO for example on domestic support for agriculture, customs valuation, and technical barriers to trade."

¶17. "At the regional and bilateral levels, trade liberalization and economic integration has been very important for Guatemala's trade with its neighbors. The Central American Common Market establishes the framework for Guatemala's trade policy. Moreover, CACM exports have been key to Guatemala's export growth, representing 28.3 percent of its exports in 2007 and 19.3 percent of its export growth over the previous year."

¶18. "Entry into force of the DR-CAFTA is another important trade liberalizing step that Guatemala took during the review period. The DR-CAFTA was signed in August 2004 and entered into force for Guatemala on July 1, 2006. Under the agreement, the Parties remove tariff and non-tariff barriers to trade and investment, which will strengthen regional trade and economic integration. The DR-CAFTA also includes important disciplines relating to: customs administration and trade facilitation, technical barriers to trade, government procurement, investment, cross-border trade in services, financial services, telecommunications, electronic commerce, intellectual property rights, transparency, and labor and environmental protection. As Guatemala, the United States, and our DR-CAFTA colleagues implement our FTA, we believe that our commitments will contribute widely to the multilateral trading

system and expand world trade."

¶19. "In addition, Guatemala has free trade agreements with Mexico, the Dominican Republic and Chinese Taipei and has concluded agreements with Colombia, Chile, Panama and Belize, which are in the process of ratification. Guatemala, together with the rest of Central America, is also in the process of negotiating a free trade agreement with the European Union."

¶110. "As noted in the Secretariat's and the government's reports, the period of review was an active time for trade policy liberalization and market opening strategies in Guatemala, and one in which Guatemala's trade and economic liberalization policies and integration have helped to mitigate the negative impact of economic downturn. Guatemala implemented a number of significant modifications to its domestic trade regime during this review period. Many of these changes were necessitated by commitments that Guatemala undertook in the DR-CAFTA. These changes can only enhance global trade."

¶111. "In customs administration, for example, the Secretariat's report notes that Guatemala has continued with the process of reform, streamlining customs procedures and adopting the new Central American regulations on customs procedures and valuation and taking steps to improve functioning of its customs services. During the period under review, Guatemala ceased to apply minimum customs values."

¶112. "Both reports note that Guatemala has made several amendments to its intellectual property legislation, which extend additional protection to copyrights and industrial property rights beyond the minimum standards provided in the TRIPS Agreement. Since its last trade policy review, Guatemala has also ratified four WIPO treaties.

In its own report, the Guatemalan government notes recent efforts to reinforce the Special Prosecutor's Office for Intellectual Property Offences and the National Intellectual Property Committee. The United States welcomes these efforts and Guatemala's commitment to enhance the implementation and monitoring of its international IP obligations. We would further welcome more specific information about Guatemala's activities in this regard."

¶113. "We also welcome, as the Secretariat report recognizes, that Guatemala has continued to build its capacity to apply technical regulations and sanitary and phytosanitary measures, revised its government procurement law, and introduced some reform in the areas of energy, financial services and telecommunications."

¶114. "While the United States applauds these positive efforts, we

have concerns with some aspects of Guatemala's trade regime and the limitations on reform in certain areas. We encourage Guatemala to continue to strengthen its technical and administrative capacity to apply correctly sanitary and phytosanitary measures, and we urge predictable, transparent and non-discriminatory application of Guatemala's new government procurement system."

¶15. "The tariff concessions that Guatemala grants under the free zones regime continue to concern us. As the economic reform process continues, we want to remind Guatemala of the need to take preparatory steps now to fulfill its WTO and DR-CAFTA obligations with respect to its free zones regime."

¶16. "More broadly, as the Secretariat's report suggests, Guatemala's continued economic growth will depend on greater efficiencies and competition in the domestic marketplace. The United States encourages Guatemala to continue along the path toward free market policies, and a regulatory framework that eliminates distortions and encourages competition, with a particular focus on the areas of electricity and telecommunications. We underscore the conclusion in the Secretariat's report that the telecommunications sector would benefit from a stronger regulatory body and more competition."

¶17. "We thank the delegation of Guatemala for its willingness to consider these points, as well as our written questions, and welcome the opportunity to engage with Guatemala and other delegations in this discussion of Guatemala's trade policy regime."

#### Chairperson's Summary Remarks

¶18. The Chairman, Ambassador Agah of Nigeria summarized the meeting as follows:

¶19. "The second Trade Policy Review of Guatemala has allowed this Body to appraise in detail the evolution of its trade policies since ¶2002. I thank Vice-Minister Morales, Ambassador Sperisen-Yurt and their team for engaging so constructively in this Trade Policy Review exercise. I would also like to thank the discussant, Ambassador Matus, and Members who participated in the discussion as part of this exercise."

¶20. "This has been a very positive review. We have heard widespread acknowledgement by Members of Guatemala's macroeconomic stability, its sustained growth during the period of the Review, and its commitment to trade liberalization at multiple levels. Guatemala has also received well-deserved commendation for the reforms it has undertaken in customs procedures and for its advances in the protection of intellectual property rights. Through these and other reforms to liberalize and facilitate trade, Guatemala has advanced its significance as a trading partner and its attractiveness as a destination for investors."

¶21. "Our discussion has also highlighted the fact that a country's trade policies, like the multilateral trading system itself, cannot be seen in isolation from the broader economic environment. Noting that the global financial crisis poses serious challenges for all countries, several Members welcomed Guatemala's sustained commitment to open markets. Members also observed that the liberalization of trade policy in Guatemala had been one component in a broader reform effort leading to the strengthening of both Guatemala's market economy and its institutional framework. Although some improvements have been made, it was, nevertheless, observed that poverty and inequality remain high."

¶22. "Members commended Guatemala for its support for and active participation in the multilateral trading system and the Doha Development Agenda. They also pointed out that Guatemala has not used anti-dumping, countervailing duties, or safeguard measures."

¶23. "On the other hand, Members expressed concerns in relation both to transparency and to the ability of some agencies to carry out their functions effectively in several areas. In response, Guatemala provided updated information on the status of institutions that have been established or in the process of formation, including their composition and procedures. Guatemala also clarified numerous aspects of the government procurement process, including the terms

under which foreign providers may participate; and provided additional information on the country's SPS and TBT procedures. Members also pointed to the wide gap between Guatemala's bound and applied tariff rates, noting that reducing this gap would improve the predictability of Guatemala's regime."

¶24. "In response to questions regarding the export subsidies included in its free zones regimes, Guatemala reiterated its commitment to meet the 2015 deadline for the elimination of these measures. Some Members welcomed and acknowledged the importance of the ongoing efforts to adopt competition policy legislation to help address anti-competitive practices in the domestic market. Guatemala also explained several aspects of the procedures by which rights are granted and enforced, in response to requests by some Members' for additional information regarding its protection of intellectual property rights."

¶25. "Members also raised questions about the regulatory framework in the electricity, telecommunications and insurance sectors. In this context, Guatemala provided updated information on the status of service sector reforms that have been recently enacted or are still pending action in the legislature. Observing that Guatemala has already undertaken, on an autonomous basis, significant liberalization in its services sector in the years since the conclusion of the Uruguay Round, Members invited it to bind these reforms in the GATS to enhance legal certainty."

¶26. "In conclusion, we have, through this Review, gained a first-hand appreciation of Guatemala's significant progress since its first Review, and the challenges that lie ahead. Members very much appreciated Guatemala's trade liberalization and other modernization efforts, which had gone hand-in-hand with economic growth. Members thus encouraged Guatemala to continue down this road, in order to help its economy face the current world financial crisis, and further its prospects for sustainable economic growth and social development."

¶27. "I would like to close this meeting by thanking, once again, the discussant and the Members who took part in this meeting for contributing to an informative review. I should also thank the interpreters for their usual hard work. I would also like to thank the delegation of Guatemala for addressing the various issues that Members have raised both in writing and orally. We look forward to receiving responses to the follow-up questions within the next month."

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